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IN THE

# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1967

## No. 903

UNIWELD PRODUCTS, INC., DAVID S. PEARL and EPHRAIM WERNER,
Petitioners,

vs.

UNION CARBIDE CORPORATION,
Respondent.

**ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT**

## BRIEF FOR RESPONDENT IN OPPOSITION

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## BRIEF FOR RESPONDENT IN OPPOSITION

### COUNTERSTATEMENT OF QUESTIONS PRESENTED

Respondent, dissatisfied with the questions presented by petitioners, will discuss petitioners' questions in respondent's arguments. Respondent's position is that the only questions proper to be raised in a review of this case are:

1. Is the subject of either of the two former representations of petitioners by respondent's present attorneys substantially related to the subject of the present action?

2. If the answer to question 1 is in the negative, did petitioners, during their former representations by respondent's present attorneys, repose in such attorneys confidences that are related to the present action?

## RESPONDENT'S COUNTERSTATEMENT OF THE CASE

Respondent cannot accept petitioners' statement of the case either as fairly reflective of the record or as presenting the facts material to a decision on the petition for certiorari. Respondent will not restate the case, however, but suggests attention to the facts stated by the Court of Appeals in its opinion as being considerably more in accord with the entire record (Pet., App. B, pp. 7a-11a. Respondent will present omissions and correct inaccuracies which respondent believes to be material in the argument.

## ARGUMENT

### THE QUESTIONS PRESENTED BY PETITIONERS ARE IMPROPER

The first question presented by petitioners (Pet. p. 2) is:

> "1. In a proceeding where an attorney represents an adversary against a former client of the attorney, must the former client specifically prove actual knowledge of previous confidential information given to the

attorney for the attorney to be disqualified; or is it adequate for his disqualification that the attorney was previously in position to gain such information?"

This question is raised in this Court for the first time.

Neither in the District Court nor the Court of Appeals did respondent take the position, nor did either Court rule, that petitioners must prove specific previous confidential disclosures, or actual knowledge of previous confidential information given to Smathers & Thompson in order for them to be disqualified. Before the District Court petitioners voluntarily undertook to prove specific confidential disclosures to Smathers & Thompson, with scant reference to the subject of the former representations vis-a-vis the present one. This was the thrust of their presentation. How far petitioners fell short of such proof is perhaps best established by their presentation of the above question.

Further, the question ignores the proposition of relationship between the former and present matters, or between any disclosure and the present matter. Confidential disclosures will be presumed to have been made in any attorney-client relationship. But that does not mean that such disclosures would be involved with, or related to, a subsequent matter against the former client.

If the subject of the former representation is substantially related to the subject of the present one, an irrebuttable inference arises that disclosures related to the present matter were made, and whether the attorney was in a position to gain confidential information becomes immaterial, for the attorney is disqualified by the establishment of such relationship.

But if the subjects of the former and the present matters are not related, then a showing of a relationship between any former disclosure actually made and the subject of the present matter is crucial, for an attorney is always in a position to gain confidential information from his client. To say that an attorney is disqualified merely because he was previously in a position to gain confidential information, regardless of whether such information is related to the subject of the present representation, is tantamount to saying that an attorney may not, under any circumstances, handle a matter against a former client. Petitioners do not even claim this.

Petitioners' second question, i. e.:

> "2. May an attorney, currently representing a client against another party under an extant injunctive order, ethically simultaneously represent the other party in another matter against his own client?"

likewise was not presented to the District Court. The legal issue involved in it was raised for the first time in the Court of Appeals. The question's inference of de facto current representation of petitioners is contrary to the evidence and the findings below. Regardless of what their legal position may be, Smathers & Thompson, in point of fact, are not "currently representing" petitioners in any matter. The question, if proper to be raised in a review of the present proceeding, should be:

> 2. Does the failure of an attorney to obtain a court order formally permitting his withdrawal as counsel for a client against whom a final injunctive decree has been

entered disqualify such attorney from accepting representation against such client in a subsequent unrelated matter?

The fact that respondent was petitioners' adversary in the former litigation is immaterial. The purpose of the canon is to prohibit the possibility of the attorney in a present matter from using, or being tempted to use, against a former client confidential disclosures made during the prior representation. Whether the present client was an adversary in the former litigation, or had no connection with it, the effect is the same. The unfairness of the use of the disclosure lies in its use against the client who made it, not the identity of the party in whose favor it is used.

## THERE IS NO CONFLICT OF DECISION

Petitioners' assertion of conflict of decision in the circuits is not supported by anything to be found in the numerous decisions cited in pages 9-21 of the petition. Petitioners apparently appreciate this, for they do not point to any ruling or principle stated by the Fifth Circuit as being in conflict with that of any other circuit on the same point of law. Rather, the claimed conflict is that the Fifth Circuit upholds a "very narrow interpretation" of the canons (Pet. p. 11), while other circuits uphold a broad and liberal interpretation. As authority for the Fifth Circuit's narrowness, petitioners cite, not the present decision, but **United States v. Trafficante,** 5 Cir. (1963), 328 F. 2d 117 (Pet. p. 11). Even if **Trafficante** could be considered to have applied a "narrow" interpretation, which is doubtful since the Fifth Circuit reversed and ordered disqualification, the matter

here is the question of review of the present decision; not **Trafficante.**

As illustrative of the "broad" interpretation of the canons petitioners say is applied in the Second, Eighth and Ninth Circuits, petitioners cite **Consolidated Theatres v. Warner Bros. Circuit Management Corp.,** 2 Cir. (1954), 216 F. 2d 920, that opinion's discussion and acceptance of Judge Weinfeld's test in **T. C. Theatre Corp. v. Warner Bros. Pictures, Inc.,** S.D. N.Y. (1953), 113 F. Supp. 265, to the effect that

> "* * * the former client need show no more than that the matters embraced within the pending suit wherein his former attorney appears on behalf of his adversary are substantially related to the matters or cause of action wherein the attorney previously represented him, the former client.";

and **United States v. Standard Oil Co.,** 136 F. Supp. 345.

Before the District Court, in petitioners' written motion for rehearing, petitioners cited **T. C. Theatre Corp. v. Warner Bros. Pictures, Inc.** (R. 64, 65), and at the rehearing petitioners asserted to the District Court that they need not prove the disclosure of any specific confidences, provided that a showing was made that a "substantial relationship" existed between the present and former representations (R. 125). The District Court agreed (R. 125)

Oddly enough, before the Court of Appeals, the only authority petitioners presented to that Court in support of their argument for disqualification, out of all the authorities

which petitioners now cite here, was **United States v. Trafficante,** 5 Cir. (1964), 328 F. 2d 117 (R. 271, 289).

On the other hand, in its brief in the Court of Appeals, respondent cited **United States v. Standard Oil Co.,** S.D. N.Y. (1955), 136 F. Supp. 345, 355, quoting from that portion of the opinion stating the principle that courts will assume the revelation of confidential matters by a client to an attorney, with the proviso:

> "This assumption, however, is reasonable only so long as there is a substantial relationship between those former matters and the lawsuit in which the confidential question is raised." (R. 501, 502).

Respondent also quoted to the Court of Appeals from **Fleischer v. A.A.P. Inc.,** S.D. N.Y. (1958), 163 F.Supp. 548 (App. dism. 2 Cir. 264 F. 2d 515), with **Fleischer's** quotation of Judge Weinfeld's test in **T. C. Theatre Corp. v. Warner Bros.,** relied on here by petitioners, **Fleischer's** quotation from the Second Circuit's **Consolidated Theatres Inc. v. Warner Bros. Circuit Management Corp.,** and **Fleischer's** conclusion that

> "The courts have generally treated this so-called rule of evidence as creating an 'irrebuttable inference' that confidential information, material and relevant to the instant case, was given to the attorney if the issues and subject matter of the former case are substantially related to issues and subject-matter of the present litigation." (R. 502, 504).

Following the quotations from these cases, respondent represented to the Court of Appeals:

> "Therefore, the first question is whether the issues and subject matter of the former matters in which Smathers & Thompson represented appellants are 'substantially related' to the issues and subject matter of the present litigation. If the answer to this question be in the affirmative, of course, the 'irrebuttable inference' referred to above would be created, and Smathers & Thompson would be disqualified. If not, then a second question could arise, despite the lack of substantial relationship of issues and subject matter, i.e., whether appellants, during the former attorney-client relationship, actually made specific confidential disclosures to Smathers & Thompson which are relevant to the present action." (R. 504)

Thus respondent submitted to the Court of Appeals as the controlling principle the one enunciated by the very authorities petitioners now claim illustrate the Second Circuit's "broad" interpretation of the canons, while petitioners contented themselves with **Trafficante.** This leads almost inescapably to the conclusion that what petitioners seek here is a factual review, and that the narrowness of the Court of Appeals' decision lies in the fact that it was against petitioners.

As a reading of the opinion of the court below will show (Pet., p. 10a), in stating the issue that was before the District Court, the Court of Appeals adopted as its test in this case the principle enunciated by the courts from the Second Circuit. This may have some bearing on petitioners' citation to **Trafficante,** rather than the present case, as authority for the Court of Appeals' narrowness, since **Trafficante** did not ground its decision on this principle.

Throughout their argument on conflict of of decision, petitioners urge that the conflict they claim to exist between the circuits has led to great confusion in the decisions (Pet., p. 21). Numerous decisions are cited. An examination of these decisions shows, in each instance, that upon the application of accepted principles to the facts, each case was decided on the facts of that case, and in each case where disqualification was ordered, the facts rather clearly show the requisite relationship between the present and former representations.

Petitioners assert the principle that public confidence in the Bar is of prior importance, and indicate that it should be applied here to effect disqualification. But surely, in the absence of facts justifying disqualification, the maintenance of public confidence in the Bar does not require that an attorney be disqualified merely because the former client, or its counsel, expresses indignation at and dissatisfaction with the attorney's acceptance of the present representation.

It is submitted that there is no conflict of decision between the circuits. Nor is there any variation of interpretation of the canons, or confusion among circuits, which would justify a review by the Court.

## PETITIONERS SEEK A FACTUAL REVIEW

To claim that petitioners established the disclosure of confidential information to Smathers & Thompson, petitioners state, with respect to the 1959 patent infringement litigation (Pet. p. 4):

> "During the course of this prior litigation there were many discussions between the petitioners, a Mr. Hyman Glass (their regular patent counsel) and Mr. Bonsteel and Mr. Dyer. In the course of these discussions, oral communications of extremely confidential nature took place relating, among other things, to the personal affairs, attitudes, and intentions of the individual defendants therein and to the business practices and economic structure of the corporate defendant therein. (R. 469)"

The substance of this statement is repeated (Pet. p. 27). The record reference above shows that the quoted statement from the petition is taken almost verbatim, not from the record before the District Court, but from an affidavit, executed while the matter was before the Court of Appeals and submitted to that Court in support of a motion by petitioners for a summary reversal of the District Court's order (R. 300, 336, 402, 460). Aside from the impropriety, the use of this affidavit rather than the record illustrates the factual weakness of petitioners' case.

Petitioners assert that the subject of the former representations and the present one are related, but this is a bald conclusion. Petitioners make no effort to explain how two matters are related merely because they both involve charges of unfair competition, in connection with patent infringement on one occasion and with trademark infringement on the other. Nor do they attempt to show how litigation on a charge of patent infringement is related to litigation over a charge of trademark infringement, where the claimed patent infringement terminated in 1960, and the use of the trademark did not begin until 1963, or how a

claim of infringement of a design for a welding torch is related to a trademark infringement action.

Smathers & Thompson are not patent lawyers (R. 77). Neither have they ever been general or retained counsel for petitioners (R. 87). In fact, shortly before the 1959 patent litigation they represented an adversary in litigation against petitioners (R. 78). In each case of former representation of petitioners the dominant and controlling counsel in the matter with Smathers & Thompson was Hyman Glass, a Virginia patent and trademark attorney (R. 93) who in the instant action was counsel with Mr. McClosky in the original hearing before the District Court (R. 147), with Mr. Davis at the rehearing (R. 121), with Mr. Donnelly before the Court of Appeals (R. 269), and with present counsel before this Court. In each instance of former representation, the Smathers firm was employed directly, not by petitioners, but by Mr. Glass (R. 87, 90). In the words of both petitioner Pearl (R. 181, 182) and Mr. Glass (R. 151), Smathers & Thompson were employed as "local counsel". They did the procedural and courtroom work, while Mr. Glass handled the substantive aspects and had the principal contact with the client. This is not submitted as a claim that no confidential disclosures were made to Smathers & Thompson, but to negate the idea attempted to be created by the petition that Smathers & Thompson were petitioners' most important counsel, and that every type of business disclosure was made to them, with the citation to authority concerning disqualification of an attorney who accepted representation against a former client for which he had acted as general counsel (Pet. p. 19).

At the first hearing before the District Court on disqualification of respondent's attorneys, held in camera on

petitioners' motion (R. 153, 154), on short notice and without opportunity for respondents to prepare (R. 148-149), only the most perfunctory attention was given by petitioners to evidence going to establish any relationship between the subject of the former representations of petitioners by Smathers & Thompson and the subject of the present litigation. Rather, the thrust of petitioners' presentation to the District Court was evidence seeking to establish that, during the former representations, petitioners had made confidential disclosures to Smathers & Thompson, and, specifically, what those disclosures were (R. 160, 167, 157-219). This evidence not only failed to show any confidential disclosures related to the present action; it failed to show what any disclosures were.

A detailed discussion of this evidence is found on pages 28-32 of respondent's brief on the merits submitted to the Court of Appeals (R. 511-514). The record page references there found are identical to the page numbers of the record here, except for petitioners' exhibits 1 through 6 which are found at pages 244-266 of the record here.

Concerning relationship between the subjects of the two former matters and the subject of the present action, the sum total of the entire record before the District Court, in detail, was that:

1. In 1959 Smathers & Thompson represented petitioners in a patent infringement action, coupled with a claim of unfair competition, brought against petitioners by respondent for infringement of a patent for gas pressure regulators; the principal issue being whether a spring which was part of the regulator was

manufactured and used in the regulator in such a way as to constitute an infringement (R. 87). This litigation terminated in 1960 with the entry of a consent injunction (R. 160, 174).

2. In 1962 Smathers & Thompson represented petitioners in a claim by Harris Calorific Company that petitioners were infringing the Harris Calorific design for a welding torch, which claim never developed into litigation and was permitted to die by Harris Calorific in 1963 (R. 172, 173, 187).

3. The present litigation in which Smathers & Thompson are representing respondent, begun in 1966, is a suit by respondent against petitioners for trademark infringement and unfair competition arising out of petitioners' use, begun in 1963, of the mark "Uni-Carb" on gas pressure regulators which are a different kind of regulator from that involved in the 1959 patent litigation for carbonated beverages (R. 166, 186, 187, 59).

At the conclusion of the first hearing the District Court ruled from the bench that the matters presented failed to establish any cause for disqualification (R. 233, 234). Before any order was entered, petitioners moved for a rehearing (R. 63-67).

At the outset of the rehearing, the District Court pointed out to petitioners that the basis for his ruling at the original hearing lay in petitioners' failure to establish either that there was any relationship between the present litigation and the matters involved in the former representations of

petitioners by Smathers & Thompson, or that petitioners had shown any confidential disclosures to Smathers & Thompson which were related to the present matters (R. 122-125).

Petitioners neither offered any testimony at the rehearing to shore up the deficiencies pointed out nor did they request a later opportunity to present any. Instead they argued to the District Court that petitioners were not required to prove what specific confidences had been disclosed, provided that a showing was made that a "substantial relationship exists" between the former and present representations (R. 125). The Court agreed with this proposition, but pointed out that there was no showing of such substantial relationship (R. 125, 126). Petitioners argued that unfair competition was common between the 1959 patent infringement suit and the present litigation for trademark infringement, that both matters involved gas pressure regulators, and that the parties were the same (R. 127). The District Court did not accept this argument (R. 135), and after the rehearing entered its order refusing disqualification (Pet., Appendix A, pp. 1a-6a).

Before the Court of Appeals, the thrust of petitioners' argument on the merits was simply that the District Court had made a bad decision. The sole question presented by petitioners to the District Court is as follows:

"QUESTION PRESENTED

"The sole question presented for resolution on this appeal is simply this:

"Should the law firm of Smathers & Thompson not be disqualified from representing appellee Union

> Carbide Corporation, plaintiff below, on the ground that such representation of Union Carbide by the firm contravenes and is prohibited by moral law, natural law, both the Old and the New Testaments of the Bible, decisions of the United States Supreme Court and of other Courts having cognizance of such matters, the Code of Ethics of the Florida Bar as codified into law by the State of Florida, and the Canons of Professional Ethics of the American Bar Association?" (R. 273).

Petitioners presented to the Court of Appeals the statement of only one point:

> "STATEMENT OF POINT TO BE URGED
>
> "The trial court erred in denying the motion to disqualify the law firm of Smathers & Thompson because their employment by Union Carbide violates the prohibition contained in the tenets of a civilized society." (R. 282)

Having thus stated the question and the point to be urged, petitioners stated as facts matters in the record which were favorable to petitioners, without bothering to advise the Court of Appeals that there was conflicting evidence, or that findings of the District Court were contrary to petitioners' factual statements, and without arguing that the findings were erroneous. Petitioners also went outside the record for facts as it suited them to do so (See R. 528, 529, for discussion of this in respondent's brief before the Court of Appeals).

On the record and in the light of petitioners' presentation, the Court of Appeals, as had the District Court, treated the matter as one involving the two issues of fact stated in the Court of Appeals' opinion (Pet., App. B., p. 10a, 11a).

It is submitted, upon the foregoing concerning what was presented to the District Court and to the Court of Appeals, as well as what is contained in the written decisions of both of those Courts, that this is a factual case, without any legal issue save one hereafter discussed, and that what petitioners seek here is a factual review of the proceeding.

## THE CLAIM THAT SMATHERS & THOMPSON ARE PRESENTLY REPRESENTING PETITIONERS IS WITHOUT MERIT

Petitioners attempt to make it appear that, as a matter of fact, the Harris Calorific representation is still an open matter. Petitioner Pearl so testified—with great positiveness (R. 171, 172). The petition (p. 5) asserts:

> "Although the affair never reached the litigation state, the matter yet exists to the present in a suspended state."

This is part of petitioners' claim that both the Harris Calorific and the 1959 injunction matters are still open and that Smathers & Thompson are currently representing petitioners. Respondent's evidence on the Harris Calorific point was that in 1963 Harris Calorific let the matter die, and that there was no activity thereafter for a year, at the end of which time Pearl advised Smathers & Thompson, concerning Harris

Calorific, that he considered "the design matter with them closed", whereupon Smathers & Thompson closed their file November 13, 1964 (R. 91, 92, 98). In his affidavit seeking to disqualify Smathers & Thompson, Pearl stated, with respect to Harris Calorific, "Said matter never reached any Court and has been, to this date, considered to have been settled favorably with respect to Uniweld Products, Inc., and to him, David S. Pearl" (R. 60). The District Court found that the Harris Calorific matter had been terminated (Pet., App. A, p. 5a).

Petitioners also claim that, factually, the 1959 patent litigation is still current in the office of Smathers & Thompson, despite the fact that the Smathers file on this matter has been closed since May 11, 1960 (R. 97). Petitioners cite the withdrawal of exhibits in that litigation while Harris Calorific was pending as establishing this. Petitioners also pose the theory that, as a matter of law, this matter is still current with Smathers & Thompson because contempt citation for violation of the injunction could be served on Smathers & Thompson, since they are still "attorneys of record" in the 1958 patent litigation; therefore, Smathers & Thompson are currently representing petitioners and have been since the entry of the injunction in 1960. Petitioners say (Pet. p. 23):

> "Nothing could be a greater conflict than representing both adversaries at the same time in two separate matters."

Petitioners cite **Leman v. Krentler-Arnold Co.,** (1932), 284 U.S. 448, 454, 455, 52 S. Ct. 238, 240, 241, in support of their proposition that notice could be served on Smathers

& Thompson. But a reading of that case shows that the Court did not reach the point for which petitioners cite it. There, a year after entry of final decree of injunction, service of a contempt citation was served on the enjoined defendant's attorney of record. Within a week the attorney filed a withdrawal of appearance. The defendant then appeared specially and moved to dismiss the contempt proceeding. Holding that the trial court, by virtue of the injunction, still had jurisdiction over the defendant, with power to bind the defendant by every subsequent order in the cause, and noting that the respondent had received notice of the contempt proceeding, the Court, at 284 U.S. 455, 52 S. Ct. 241, said:

> "We do not need to consider the effect of the service of the order to show cause * * * upon the attorney who still appeared of record as the attorney for the respondent in the equity suit, but whose authority was alleged to have been terminated, * * * as the respondent had actual notice."

The question of the validity of service of notice in injunction cases on the attorney of record for the defendant at the time the injunction was entered has been determined both ways. See the quotation, in respondent's brief to the Court of Appeals, from **Moore v. Lee**, Fla. (1954), 72 So. 2d 280, holding that, in Florida, such service is not sufficient to empower the lower court to proceed (R. 524). The point here urged by petitioners was discussed in respondent's brief below (R. 521-528). In addition to such discussion, respondent suggests that even if service may validly be effected on an attorney of record in any case such as the present, this does not mean that such attorney is currently

the party's counsel for the purpose of consideration of disqualification. The service of notice is one thing, but disqualification for conflict of interest involves the matter of confidential disclosures.

The matter involved is, indeed, a legal point, but it is an obscure point, and the only one involved in the present status of this litigation.

It is submitted that the point is not of sufficient importance to justify the granting of certiorari.

## CONCLUSION

Upon all of the foregoing, it is submitted that the petition for certiorari is an effort to obtain a factual review of petitioners' case, and that the petition should be denied.

Respectfully submitted,

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